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Real Estate Economists, Appraisers and Counselors

CHANGES IN REAL ESTATE AND MORTGAGE ACTIVITY

REAL estate and mortgage activity not only varies from one year to the next; it varies tremendously from one city to another. It is not always the case that the biggest cities have the largest number of transfers or the highest dollar volume of mortgages recorded. One of the most interesting sets of business statistics available is that which reveals the real estate and mortgage activity in the principal cities, and it is frequently surprising to find out how well some of the smaller cities are doing.

On the following pages we show the latest available information on real estate and mortgage activity in 97 principal cities. Mortgage activity is shown by dollar volume wherever available. In those cities where dollar volume of mortgages is not available we show the number of mortgages recorded. Insofar as real estate activity is concerned, all charts show the number of voluntary transfers recorded.

We have frequently pointed out how activity rises in the construction or sale of large properties during the closing days of a real estate boom. This activity has been increasing for some time and has gained considerable magnitude in the last year. Office building and hotel construction is moving ahead rapidly, as is the construction of shopping centers and other commercial buildings. This is shown by the fact that in most cities mortgage dollar volume is increasing much more rapidly than is the number of real estate transfers.

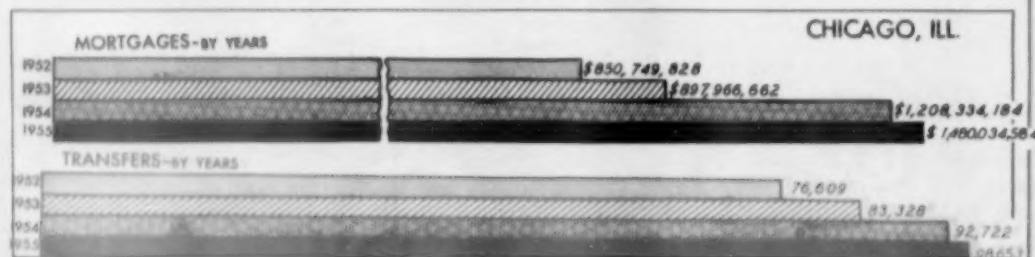
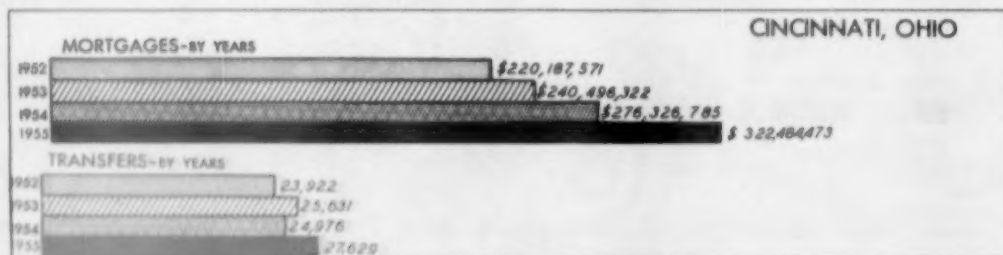
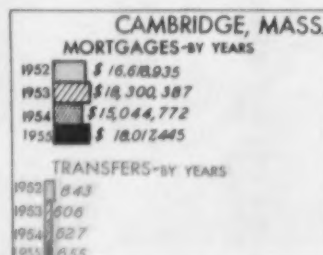
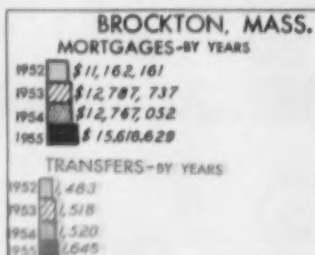
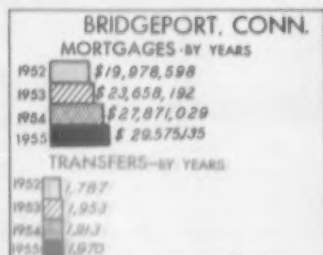
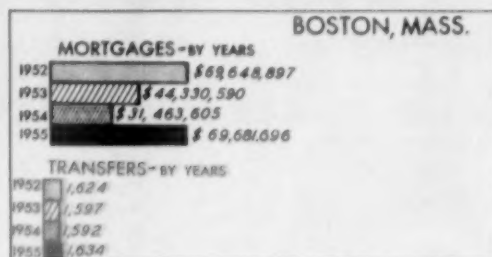
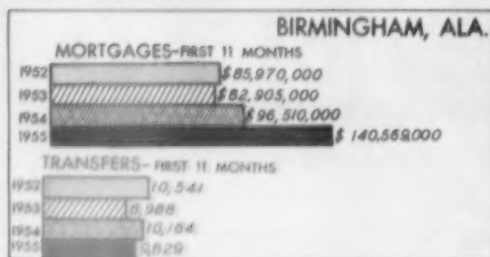
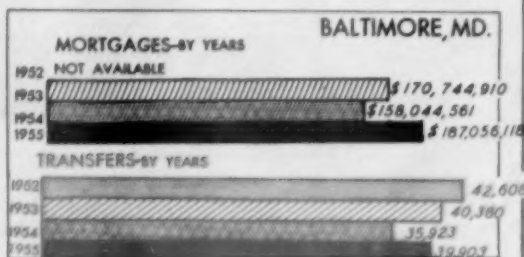
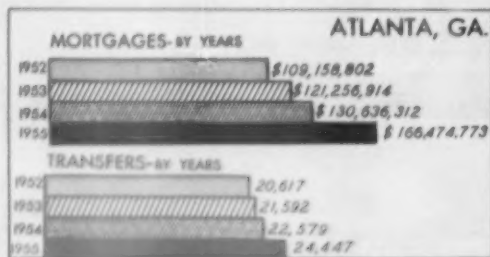
Mortgage activity increased in 91% of all cities charted during 1955. In 54 of these cities, activity has been increasing strongly during the entire period covered by the charts. The most spectacular gains in 1955 were recorded in Boston, Massachusetts, with a gain of 120%, in Houston, Texas, +80%, and in Fresno, California, +53%.

Other cities where 1955 dollar volume of mortgages increased sharply over that of 1954 were Fort Wayne, Indiana, +48%, and Tulsa, Oklahoma, and Bir-
(cont. on page 62)

NOTE: For other comparisons of mortgage activity, see February 1955 Real Estate Analyst, pages 61 through 71, and February 1954 Real Estate Analyst, pages 58 through 68.

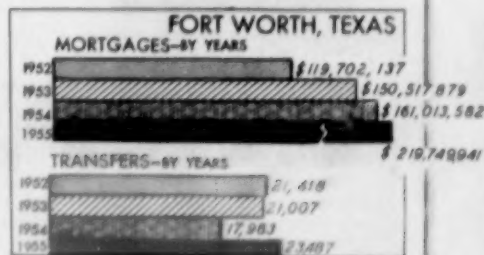
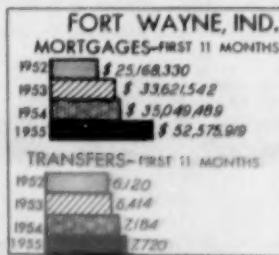
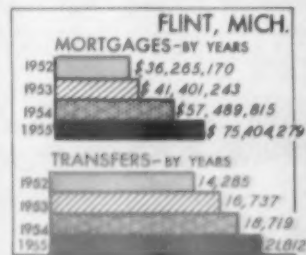
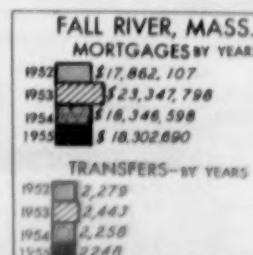
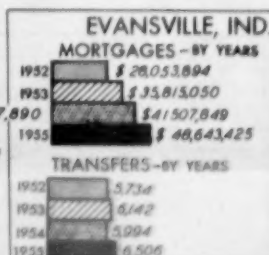
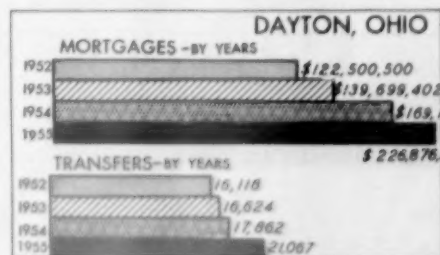
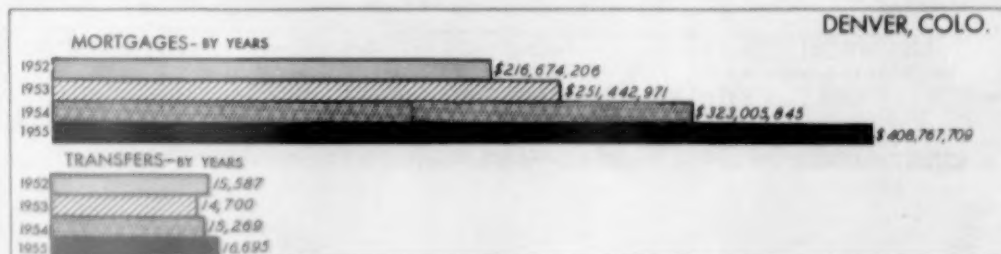
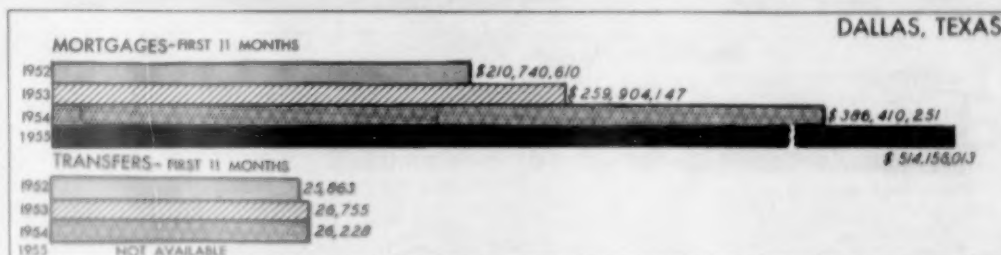
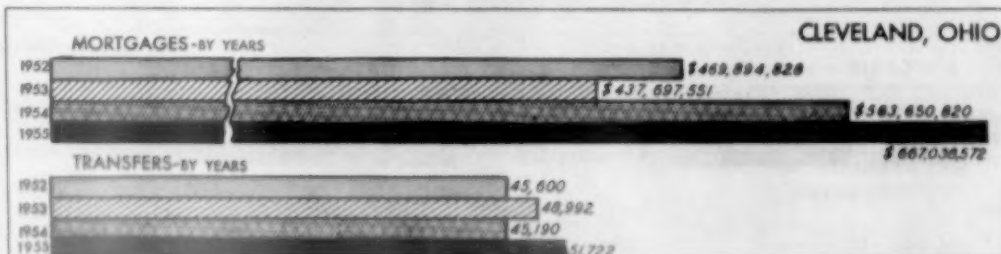
COMPARISON OF MORTGAGE VOLUME AND REAL ESTATE TRANSFERS FOR 1952, 1953, 1954, 1955

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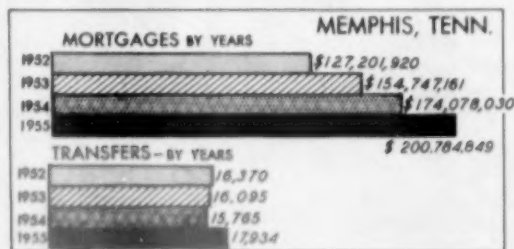
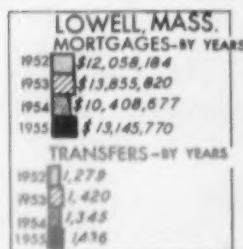
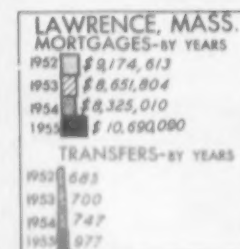
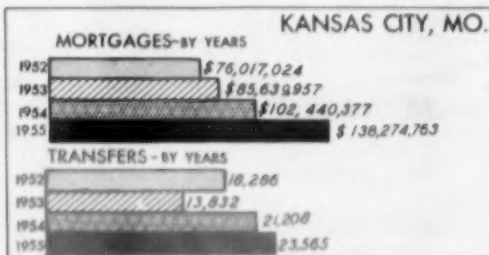
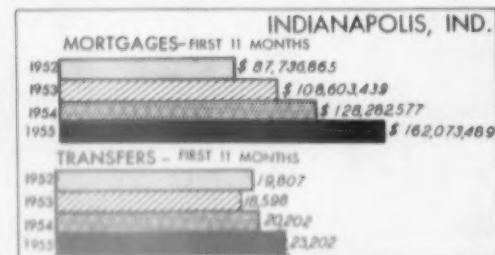
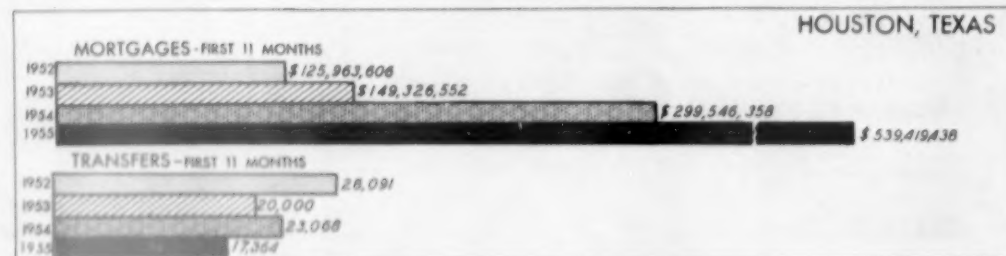
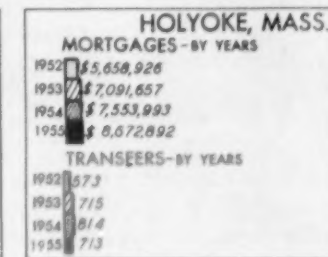
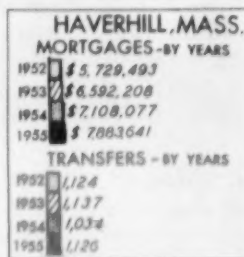
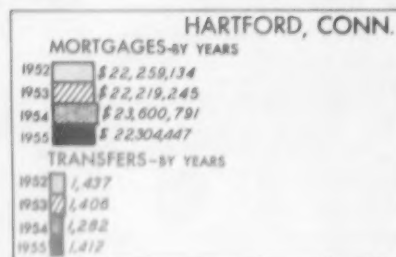
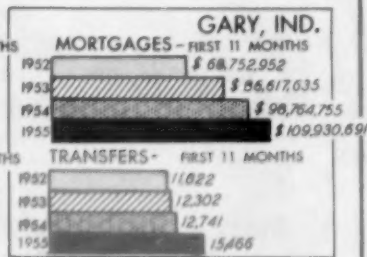
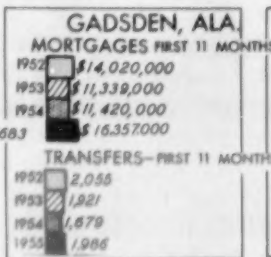
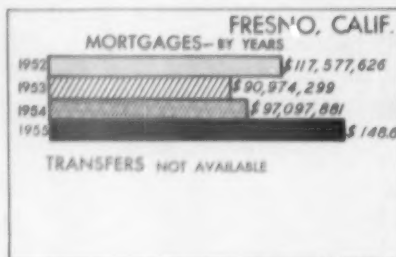
COMPARISON OF MORTGAGE VOLUME AND REAL ESTATE TRANSFERS FOR 1952, 1953, 1954, 1955

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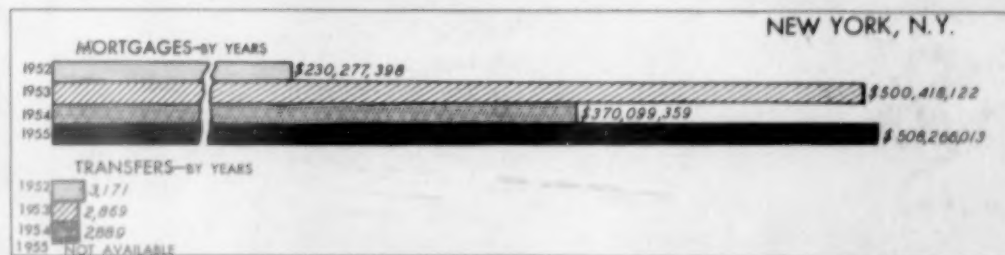
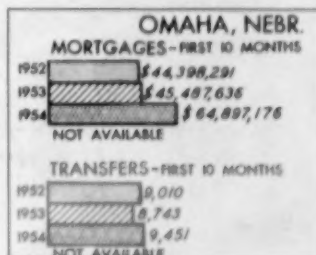
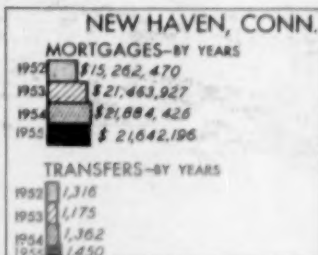
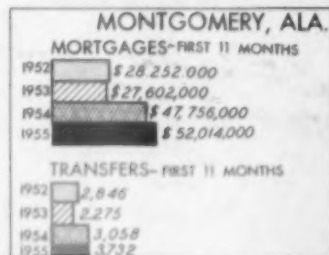
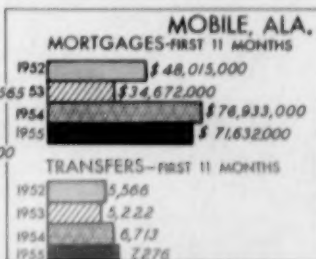
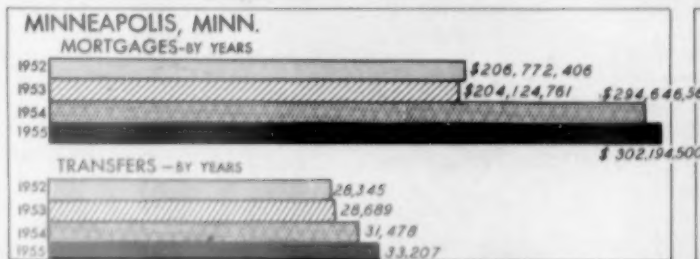
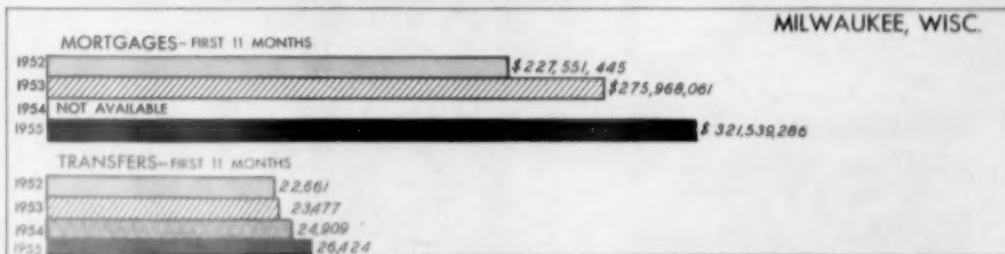
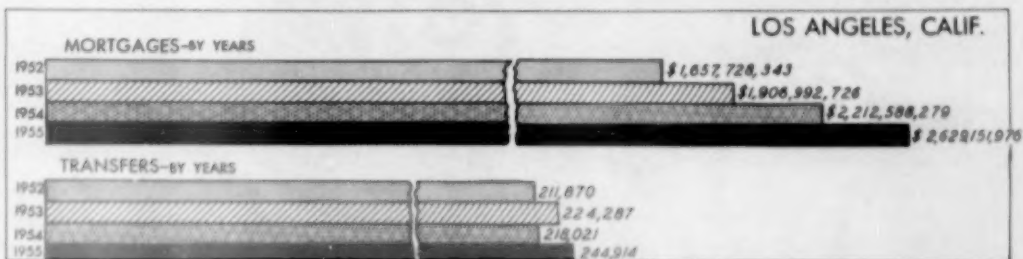
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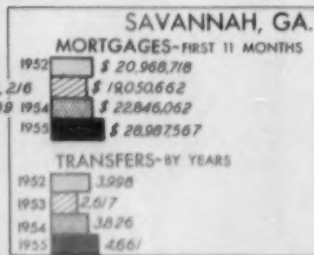
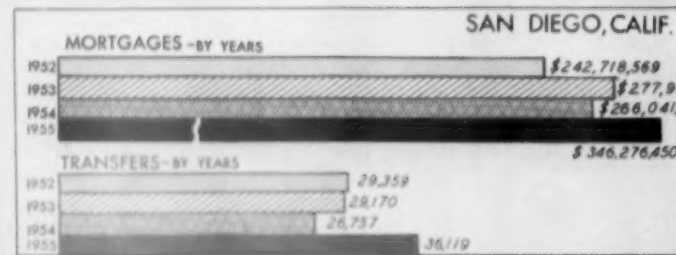
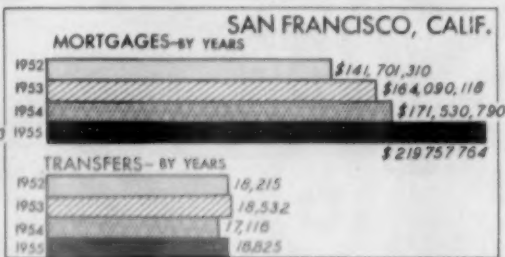
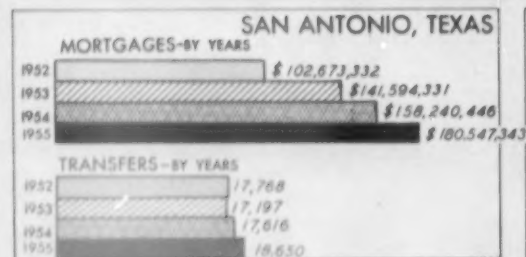
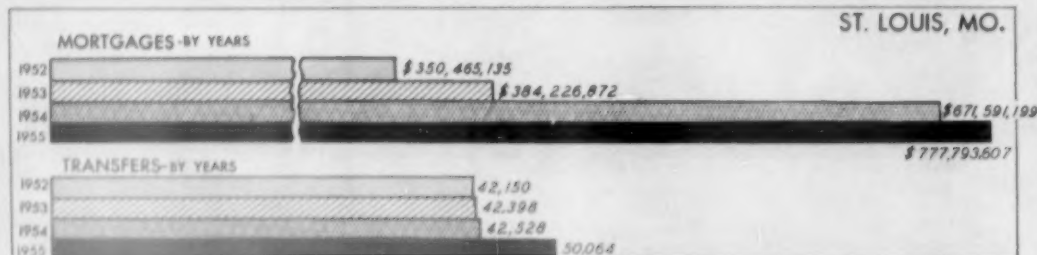
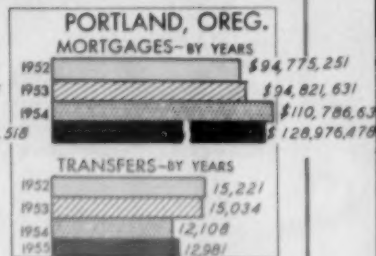
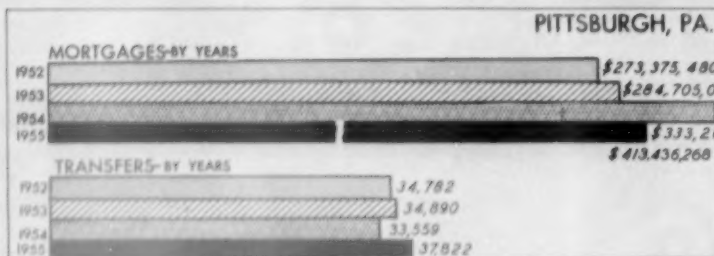
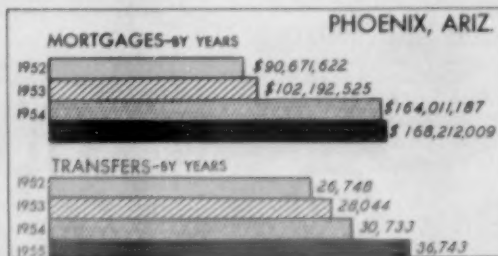
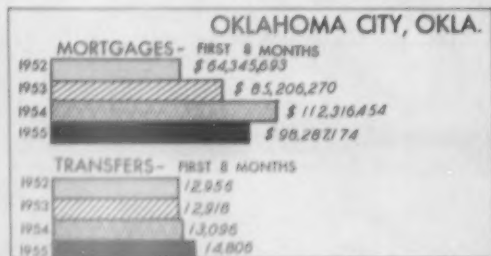
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COMPARISON OF MORTGAGE VOLUME AND REAL ESTATE TRANSFERS FOR 1952, 1953, 1954, 1955

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SOMERVILLE, MASS.

MORTGAGES - BY YEARS



TRANSFERS - BY YEARS



SPRINGFIELD, MASS.

MORTGAGES - BY YEARS

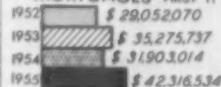


TRANSFERS - BY YEARS



SOUTH BEND, IND.

MORTGAGES - FIRST 11 MONTHS



TRANSFERS - BY YEARS



STOCKTON, CALIF.

MORTGAGES - BY YEARS



TRANSFERS - NOT AVAILABLE

TERRE HAUTE, IND.

MORTGAGES - FIRST 11 MONTHS



TRANSFERS - FIRST 11 MONTHS



TOLEDO, OHIO

MORTGAGES - BY YEARS



TRANSFERS - BY YEARS



TUCSON, ARIZ.

MORTGAGES - BY YEARS



TRANSFERS - BY YEARS



TULSA, OKLAHOMA

MORTGAGES - BY YEARS

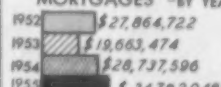


TRANSFERS - BY YEARS



WACO, TEXAS

MORTGAGES - BY YEARS



TRANSFERS - BY YEARS



WASHINGTON, D. C.

MORTGAGES - BY YEARS



TRANSFERS - BY YEARS



WATERBURY, CONN.

MORTGAGES - BY YEARS



TRANSFERS - BY YEARS



WESTCHESTER CO., N. Y.

MORTGAGES - BY YEARS



TRANSFERS - BY YEARS



WORCESTER, MASS.

MORTGAGES - BY YEARS



TRANSFERS - BY YEARS



CHANGES IN REAL ESTATE AND MORTGAGE ACTIVITY

(cont. from page 55)

mingham, Alabama, +45% each. El Paso, Texas, showed an increase of 41% in the number of mortgages recorded.

There have been some tremendous increases in the dollar volume of mortgage recordings since 1952. In Houston, the increase in 1955 was 328% above the level of J years earlier. Tulsa has recorded a 175% increase in 1955 over 1952. Other cities with big increases in the same period were Dallas, up 145%, St. Louis, +122%, New York City, +120%, and Flint, Michigan, and Fort Wayne, Indiana, up 108% each.

There were a half dozen cities where dollar volume of mortgages declined in 1955. None of these declines were of particular magnitude except in Springfield, Massachusetts. Even here the decline was from an abnormally high volume in 1954, which was caused by the recording of a number of unusually large mortgages. The 1955 level in Springfield should, therefore, not be compared with the abnormal volume in 1954. It is more realistic to compare the 1955 volume with that of 1952 and 1953. When this is done, Springfield shows a nice gain.

Nearly all cities had a good gain in real estate activity during 1955. The best was registered in San Diego, where 35% more sales were recorded than in 1954. Other gains were Tulsa, with 33% more real estate sales in 1955 than in 1954, Fort Worth, +30%, Miami, +27%, Phoenix, +20%, and Jacksonville and Little Rock, +19% each.

There have also been a large number of cities where real estate activity has expanded rapidly in the last 3 years. For example, the number of sales in Flint, Michigan, in 1955 was 52% above the number in 1952. Tulsa was up 41% over 1952. Phoenix was up 37%, Louisville, +35%, Jacksonville, +31%, Mobile and Dayton, +30% each, Chicago, +29%, and Kansas City, Missouri, +28%.

The declines have been few and far between. Houston has suffered the biggest drops, with a decline of 25% from 1954 to 1955, and a total drop of 38% since 1952. Coupled with the enormous increase in dollar volume of mortgages there, the swing to activity in large properties is readily apparent.

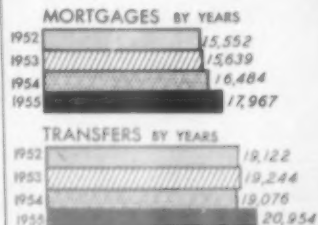
Rochester's activity underwent a 15% drop in 1955, but is still 16% above its 1952 level. Although showing a 7% gain in 1955 over 1954, Portland, Oregon, real estate activity is still 15% below that of 1952.

A continued high level of real estate and mortgage activity seems assured over most of the United States, at least for the first part of 1956. There are some indications that the supply of mortgage money is becoming more plentiful. This is presently manifesting itself by stronger competition among lenders for the better home loans. As the year runs on we expect the supply of mortgage money to continue to improve.

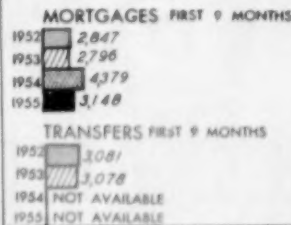
COMPARISON OF NUMBER OF REAL ESTATE MORTGAGES AND NUMBER OF REAL ESTATE TRANSFERS FOR 1952, 53, 54 1955

(C) by ROY WENZLICK & CO., 1956

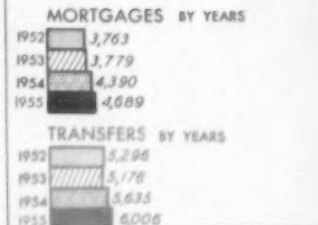
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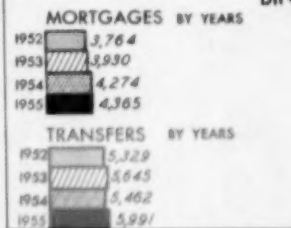
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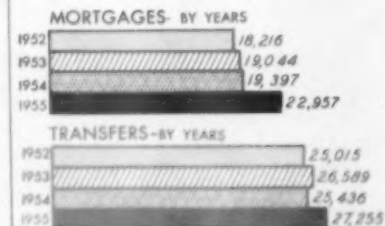
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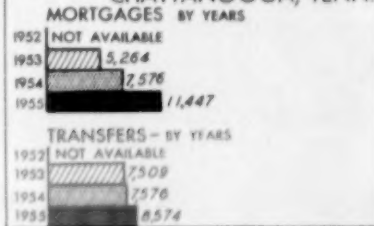
BINGHAMTON N. Y.



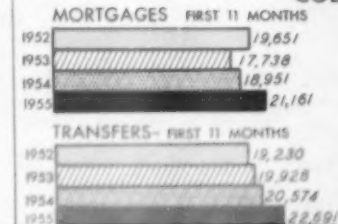
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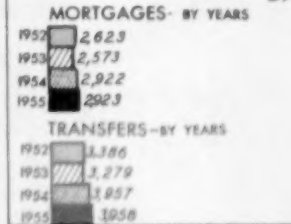
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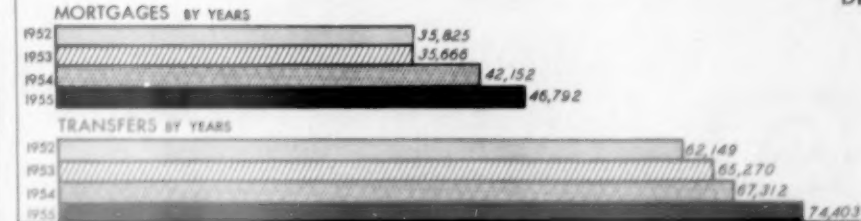
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DAVENPORT, IOWA



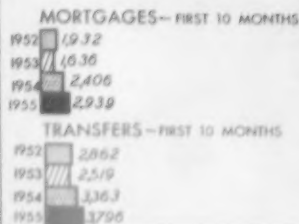
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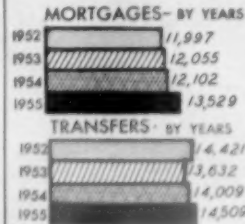
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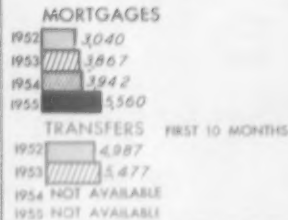
DECATUR, ILL.



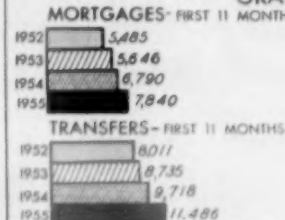
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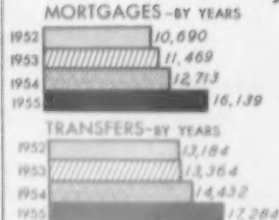
EL PASO, TEXAS



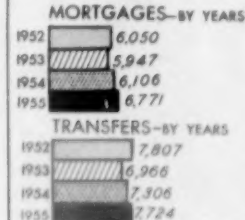
GRAND RAPIDS, MICH.



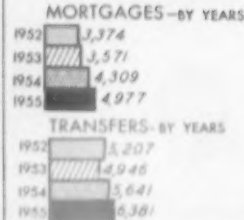
JACKSONVILLE, FLA.



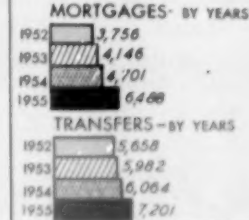
JERSEY CITY, N. J.



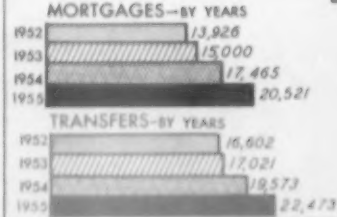
KALAMAZOO, MICH.



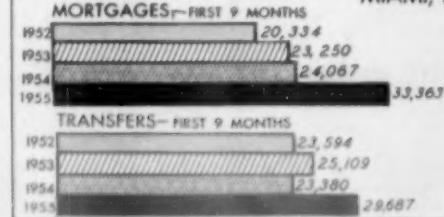
LITTLE ROCK, ARK.



LOUISVILLE, KY.



MIAMI, FLA.



COMPARISON OF NUMBER OF REAL ESTATE MORTGAGES
AND NUMBER OF REAL ESTATE TRANSFERS FOR 1952, 53, 54 1955

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NASHVILLE, TENN.

MORTGAGES—BY YEARS



TRANSFERS—BY YEARS



NEWARK, N. J.

MORTGAGES—BY YEARS



TRANSFERS—BY YEARS



NASSAU COUNTY, N. Y.

MORTGAGES—BY YEARS



TRANSFERS—BY YEARS



QUEENS BOROUGH, N. Y.

MORTGAGES—BY YEARS



TRANSFERS—BY YEARS



OAKLAND, CALIF.

MORTGAGES—BY YEARS



TRANSFERS—BY YEARS



PHILADELPHIA, PA.

MORTGAGES—BY YEARS



TRANSFERS—BY YEARS



PORTLAND, ME.

MORTGAGES—BY YEARS

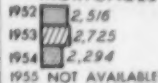


TRANSFERS—BY YEARS

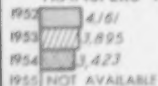


READING, PA.

MORTGAGES—FIRST 7 MONTHS



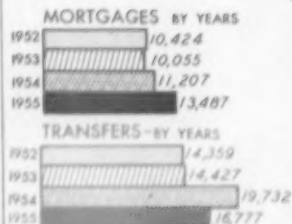
TRANSFERS—FIRST 7 MONTHS



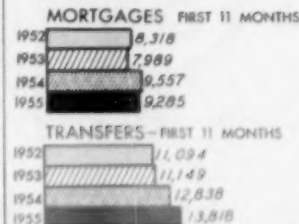
COMPARISON OF NUMBER OF REAL ESTATE MORTGAGES AND NUMBER OF REAL ESTATE TRANSFERS FOR 1952, 53, 54 1955

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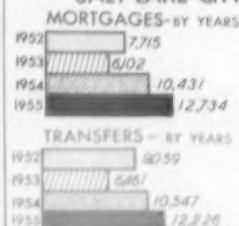
ROCHESTER, N. Y.



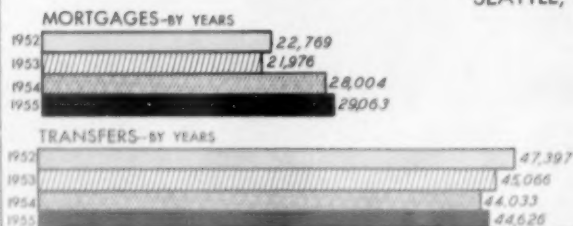
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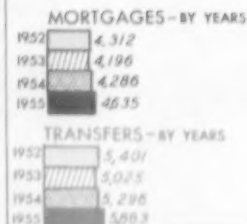
SALT LAKE CITY, UTAH



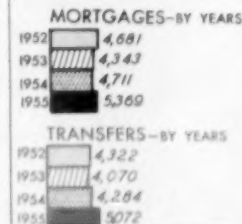
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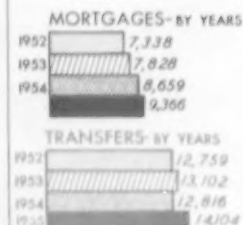
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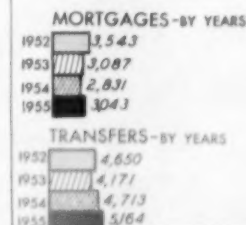
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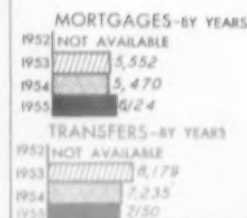
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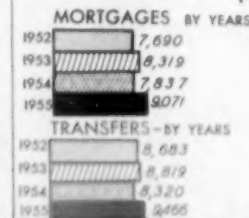
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TRENTON, N. J.



YOUNGSTOWN, OHIO

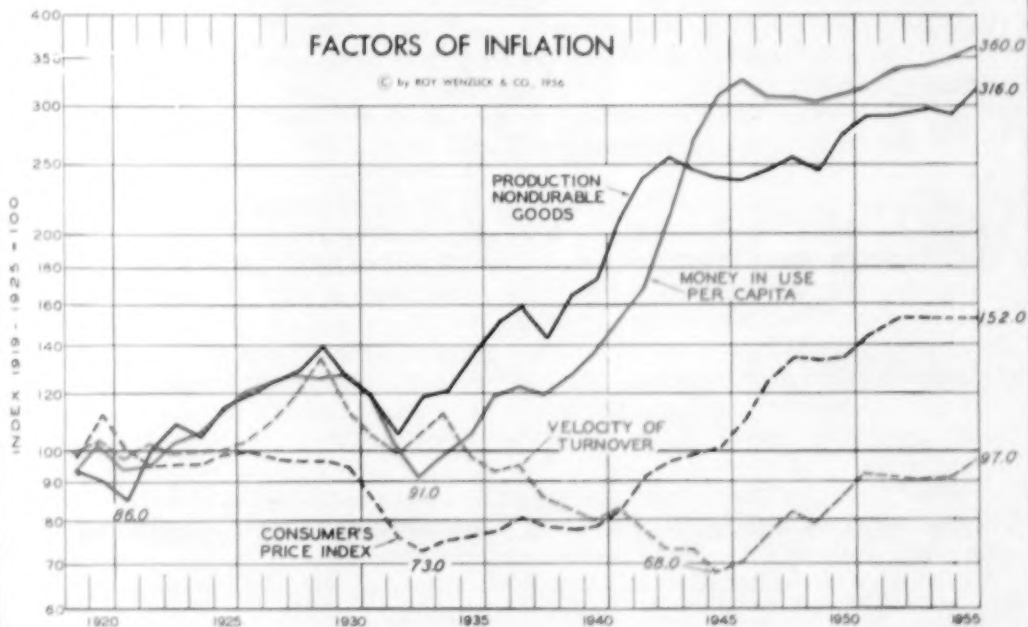


FACTORS OF INFLATION

THERE is little that any of us can do about inflation except put up with it and try to understand it. Basically, it is not difficult to understand, but our economic system has become so complex that any discussion of inflation is liable to get cluttered up with a number of extraneous items.

For this reason we have designed the chart shown below. In it we have combined the three basic factors of inflation (and deflation) and inflation's basic yardstick. The yardstick represented by the dashed blue line is the familiar consumer price index (converted to a base of 1919-1925 = 100). As you know, this index has been rising steadily since the early thirties, and has risen particularly fast since 1940, indicating a rise in the general price level, or a decline in the purchasing power of the dollar. During the last 3 years it has leveled off.

The three factors of inflation also shown will give you a good idea why the value of the dollar has been declining. They are: production of nondurable goods (solid blue line), money in use per capita (solid red line), and velocity of turnover of bank deposits (dashed red line). Generally speaking, if the supply of money increases faster than the production of goods, the relative scarcity of goods forces the price up. You can see that this is what has been happening. In addition to this, the velocity of turnover has also been rising since 1945, adding to the inflationary effect of the increasing money supply. This means that people



not only have an increasing supply of money, but that they are spending it at a faster rate.

There are two factors (shown by the red lines) that have recently reacted in a way to produce rising prices, or more inflation. You can see that there has been a mild increase in the amount of money in use per capita. Moreover, there has been a sharp rise in the velocity of turnover or in the rate at which people have been spending money.

Coupled with a fixed or falling rate of production there would be a strong probability that prices would rise or, in other words, that the consumer price index would go up. However, this has not happened. Instead of standing still, or falling, production of nondurables showed a strong rise during 1955. Therefore, while the inflationary factors of an increased money supply and a faster rate of spending were at work, the deflationary factor of higher production was also at work, neutralizing the effects of the first two. As a result, the index of consumer prices remained stable during 1955.

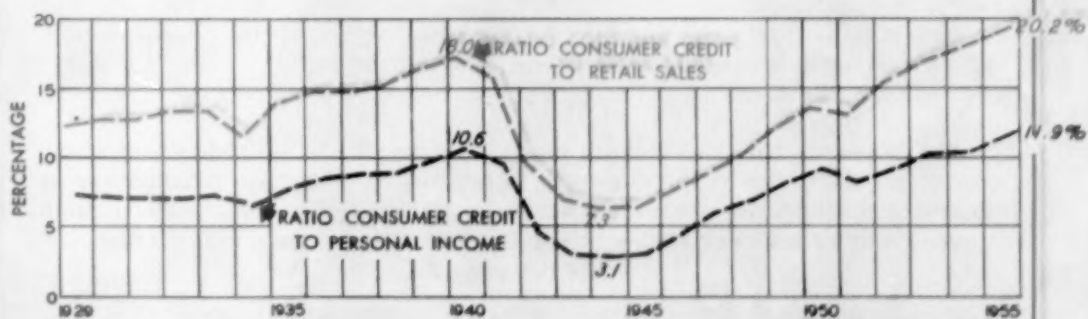
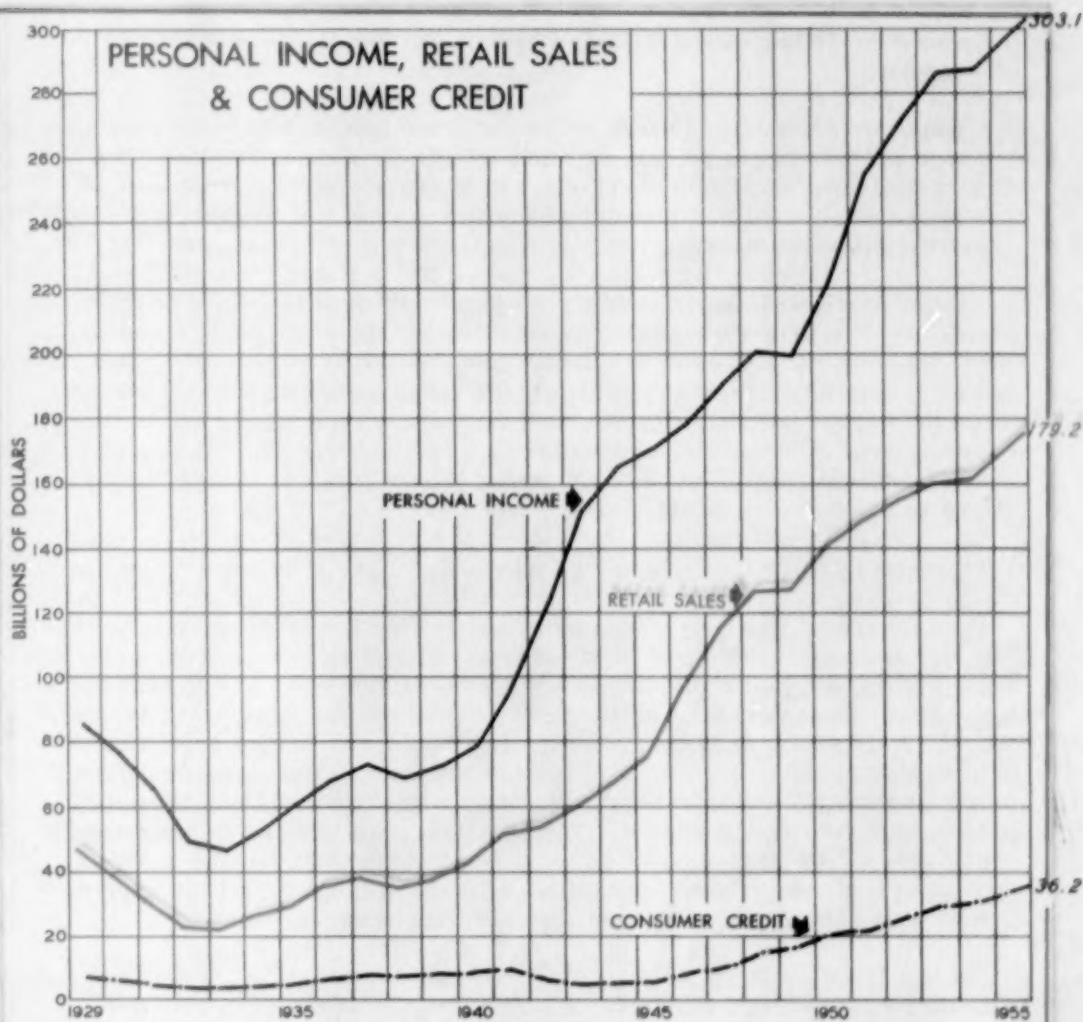
THE CHANGING ATTITUDE TOWARD CONSUMER CREDIT

A year ago we wrote an article in which we discussed the changing pattern of consumer credit. Whether the changing pattern is a result of a change in the consumer's attitude toward credit or vice versa is not too important. Both changes are upon us and there seems little that anyone can do to encourage more saving and less spending. Indeed there is no clear-cut indication of how much credit is "too much." Furthermore, no business man will knowingly follow a practice of overextending credit, but he never knows he has done so until it is too late to do anything about it. The entire economy, therefore, operates its credit policy more by the seat of its pants than by any other method. If you think this is not true even in Washington, listen to the home builders and mortgage men talk about the government measures to control housing credit.

In this large area of uncertainty that surrounds all credit - and particularly consumer credit - there are only a few things that seem to be reasonably clear. Unfortunately, these things are not particularly encouraging. One is that so long as consumers feel even mildly optimistic, they are, as a general rule, going to use all of the credit they can get. Another is that so long as they repay with a fair degree of regularity the credit men are going to actively and aggressively encourage them to go deeper into debt. This could continue until some presently unforeseen limit is reached and the entire consumer credit structure tumbles down around our ears.

This situation has been brought on by the necessity of selling an increasing amount of goods, and by the consumer's attitude of regarding indebtedness as eminently respectable. Voluntary saving in anticipation of future consumption is giving way to enforced saving to pay for immediate or past consumption.

(cont. on page 70)



THE CHANGING ATTITUDE TOWARD CONSUMER CREDIT

(cont. from page 68)

There is, however, some reason to believe that the size of the present consumer debt is not too big. To be sure, it is larger than it has been at any time, but so is consumer income, and so are retail sales. It is only natural that as retail sales rise, consumer credit also rises. In considering the relationship between consumer credit and retail sales, however, it is somewhat disturbing to find the ratio as high as it is. Consumer credit was at an alltime high of 18.2% of retail sales in 1954. It reached a new high of 20.2% in 1955. The ratio of consumer credit to personal income also reached an alltime high of 11.9% in 1955. We don't know whether this level is too high or not. We're inclined not to worry much about it so long as the economy continues to expand or maintains its present level. If there is a downturn for a protracted period, the \$36.2 billion consumer debt will certainly contribute enormously to our difficulties. On the other hand, nearly all signs indicate that a downturn is most unlikely. So, we're not too concerned about the present debt as such.

We are concerned over the rate of increase and the philosophy that powers that increase. We are concerned over the assumption that production must constantly be increased even at the price of credit inflation. We are also concerned at the lack of restraint among consumers in availing themselves of all too easy credit. We do not have to live like Spartans, but neither do we have to rush out and buy each new gadget just because we can get it for five dollars down and five dollars a month, and because some TV pitch man tells us we have to have it or our standard of living will suffer.

Voluntary savings built this country and made it into the giant it is today. To maintain our productive capacity, to maintain our national safety, and to maintain our standard of living (of which we have now made such a fetish), we will have to continue to have tremendous pools of savings. Unlike virtue, saving is more than its own reward. It has been and will keep on being the bulwark of us all.